BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005–1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF FURTHER REVISIONS TO LIBRARY REFERENCE USPS-LR-K-67
–ERRATA
(June 9, 2005)

The Postal Service hereby gives notice of the filing of further revisions to the

following library reference:

USPS-LR-K-67   Development of Delivery Costs by Rate Category for
                   First-Class and Standard Mail (Kelley)

The revisions relate to error corrections which affect ECR unit costs. Attached is a

description of the revisions, which should be inserted into the library reference. Also

attached are the revised pages. In addition, the Commission has been provided a new

CD-ROM, which includes all revised and additional material, and entirely replaces the

original CD-ROM.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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June 9, 2005

LR-K-67 needs to be revised to correct for several cell mismatches presently contained in the library reference. These changes have an impact on the unit delivery cost for several Standard Mail rate categories on Table 1 of LR-K-67. Within LR-K-67 several workbooks have changed. Replace LR-K-67_Revised.xls with LR-K-67_2nd.revised, CITY04.xls with CITY04_Revised.xls, CASING04.Recd.2.17.05.xls with CAS04_Revised.xls, FY04.ECR.Volumes.Sat.NonSat.ByShape.xls with FY04.ECRSat.Vols_Revised.

Listed below is a brief summary of what changed in each spreadsheet.

CASING04_Revised.xls. The city carrier letter route casing costs for ECR Saturation letters and flats have changed in the revised version to reflect corrected inputs. The updated costs can be found in 'EstimatesOfCased.Sat.Ltrs.Flts' cells B12 and B13.

CITY04_Revised.xls The volume of ECR Saturation letters and flats that are cased or bypass casing changed in the revised worksheet because of revised inputs. Specifically, cells E175:F176 have changed in the new version.

FY04.ECRSat.Vols_Revised. This spreadsheet is changed to correct an inconsistency with LR-K-67 regarding the estimated number of DAL mailings per residential delivery point per week. The figures are found in cells C11 and C12 for flat and parcel shaped host pieces respectively.

LR-K-67_2ndRevised.doc. The changes in the worksheets above circulate through this workbook which calculates unit delivery costs by rate category. The end results of the changes by rate category are contained in worksheet '1Table 1'.

In addition replace LR-K-67_Revised.doc with LR-K-67_2[nd]Revised.doc. The changes in the Word document are made to reflect the new workbook names necessitated by the revisions in the worksheets.

In the hard copy, pages 2 (preface), 13-15 and Table 1 (page 16) have been revised and the new pages should be substituted for the old pages.

PREFACE

This is a category 2 library reference sponsored by Witness Kelley (USPS-T-16). The purpose of this library reference is to describe the methodology used to develop delivery costs by rate category for First-Class Mail and Standard Mail. This library reference performs the same function in this case as USPS-LR-J-117 did in Docket No. R2001-1 sponsored by Witness Schenk (USPS-T-43). Witness Abdirahman (USPS-T-21) uses the results of this library reference in developing letter costs. Due to the large amount of spreadsheets with numerous links, only a hard copy of Table 1 is provided.

The Excel workbooks, and Word documents that are discussed in this library reference, and that are stored on the CD-ROM that is attached to this library reference, are as follows:

Word Documents

LR-K-67_2ndrevised.doc

Excel Workbooks

LR-K-67_2ndrevised.XLS

BY2004PBSUMMARY.20050214.xls

CARMM04.XLS

DPS%New11.xls

R2005.FY2006BRC_DRpt.USPS.AMX.xls

Shape_GFY_2004Rv.Final.xls

TY06RPW.xls

TYPigbackFactors.xls

CASING04_Revised.xls

city04_Revised.xls

CS06&7.K67.xls

CS10.K67.xls

FY04.CCS.RCS.RPW.Parcel.Volumes.xls

FY04.ECR.Sat.Vols_Revised.xls

FY2004.DAL.MAILIING.VOLUME.ESTIMATES.xls

e) Shape_GFY_2004rV.Final.xls

Contains BY04 RPW volumes by subclass and shape. LR-K-67 worksheet 'RPW' references this workbook to obtain RPW volumes by shape for the First Class Single Piece, First Class Presort Letters, Standard ECR, and Standard Regular subclasses.

f) TY06RPW.xls

Calculates BY04 to TY06 percentage changes in RPW volumes by mail subclass. LR-K-67 worksheet 'summary TY' uses these percentage changes to compute test year volumes for each
 LR-K-67 combination of a mail subclass, rate category, and shape.

g) TYPigbackFactors.xls

The LR-K-67 worksheet 'summary TY' uses the test-year piggyback factors in "TYPigbackFactors.xls" to add piggybacked costs to the segment 6, 7, and 10 city and rural direct-delivery and support-activity costs.

2. Analysis Workbooks

a) CASING04_Revised

i. '6.1 Casing'

Provides the city in-office direct-labor casing costs by mail subclass, rate, and shape that are listed in the LR-K-67 worksheet 'by shape'.

ii. 'ECR Breakout'

Provides the LR-K-67 worksheet 'ecr splits' with casing and non-casing costs by ECR rate and shape category.

iii.   EstimatesOfCased.Sat.Ltrs.Flts'

Provides LR-K-67 worksheets 'CITYECRVOL' and 'DALsUsingECR%-NewEstOfRurlCovrs' estimates of cased ECR saturation letters, cased ECR saturation attached-label flats, plus unit casing costs for saturation attached-label flats, and for the DALs that are associated with the saturation-flat host pieces of DAL mailings.

b) city04_revised.xls

Lists CCS volumes by activity code and stop type, and for total DPS ECR saturation mail, total non-DPS ECR saturation mail that bypasses casing - i.e., sequenced mail - and total cased saturation and non-saturation mail. Provides these cased and non-cased ECR volumes to LR-K-67 worksheets 'DALsUsingECR%-NewEstOfRurlCovrs', 'CityDelAct.ParcelCrosswalk', and 'ECR Unit Costs FY04'.

c) CS06&7.K67.xls

The worksheet 'Totl Costs by Shape, Class' in this workbook computes distributions of BY04 segment 6 and 7 costs by mail subclass and shape through aggregation over the CS06&7.xls worksheets '7.0.6.5' – '7.0.6.10'. The worksheet 'Outputs to CRA (2)' copies the columns from the 'Outputs to CRA' worksheet, and then adds the "in-office support overhead" and "cag k" columns, plus columns M through P and R through S. Several LR-K-67 worksheets obtain volumes and office and street-time costs from the CS06&7.K67.xls worksheets '6.0.2.1', '6.0.4', '7.0.6', '7.0.8', 7.0.6.10', 'Totl Costs by Shape, Class', and 'Outputs to CRA (2)'

d) CS10.K67.xls

CS10.K67.xls is the same as CS10.xls, with a few additional calculations. Worksheet '10.2.2' computes total segment 10 costs per RCS piece for "Evaluated" plus "Other" routes by mail subclass and evaluation category. This worksheet, along with sheets '10.1.2', 'Inputs DK', and 'Outputs to CRA' provide segment 10 costs and RCS volumes by mail subclass and evaluation category to several LR-K-67.xls worksheets.

e) FY04.CCS.RCS.RPW.Parcel.Volumes.xls

Calculates CCS and RCS parcel-volume crosswalks based on ratios of CCS and RCS parcels to RPW parcels. Also provides the LR-K-67 worksheets 'Parcel Crosswalk' and 'RrlCwlk-RevSatBxhlds.Rev.Prcls' with estimates of CCS and RCS parcels that are to be moved to flats based on RPW shape definitions.

f) FY04.ECR.Sat.Vols_Revised.xls

Divides total CCS ECR saturation letters into DPS and non-DPS, and total CCS non-DPS ECR saturation letters and flats into cased and non-cased. These cased and non-cased volumes are input into the LR-K-67 worksheet 'DALsUsingECR%-NewEstOfRurlCovrs'.

g) FY2004.DAL.MAILING.VOLUME.ESTIMATES.xls

Provides the LR-K-67 worksheet 'DALsUsingECR%-NewEstOfRurlCovrs' with estimates of aggregate annual BY04 saturation DAL mailings delivered to city and rural routes, and to all delivery points across all possible delivery modes.

Table 1[1]: Test Year FY 2006 Unit Delivery Costs

First-Class Single PYO6 Unit Costs			
Single-Piece Letters	7.189		
Single-Piece Flats	12.416		
Single-Piece Parcels	30.049		
Single-Piece Nonletter	14.424		

First-Class Presort			
Nonautomation -- Non	10.918		
Nonautomation -- Non	10.918		
Nonautomation -- Mac	3.929		
Nonautomation -- Mac	3.929		
Nonautomation -- Non	10.918		
Nonautomation -- Non	10.918		
Nonautomation -- Mac	3.737		
Nonautomation -- Mac	3.737		
Automation Mixed AAD	4.148		
Automation AADC	3.940		
Auto 3-Digit Letters	3.846		
Auto 5-Digit Letters CS	6.691		
Auto 5-Digit Letters Ot	2.732		
Auto 5-Digit Letters All	3.597		
Auto CR Letters	6.520		
		Presort Letters (Avg)	3.954
Presort Flats	9.424		
Presort Parcels	20.636		
Presort Nonletters	9.527		

First-Class Cards			
Single Piece Cards	8.888		
NonAuto Presort Card	3.362		
Auto Mixed AADC Car	3.555		
Auto AADC Cards	3.372		
Auto 3-Digit Cards	3.289		
Auto 5-Digit Cards CS	5.799		
Auto 5-Digit Cards Oth	2.307		
Auto 5-Digit Cards All	3.069		
Auto CR Cards	5.648	Presort Cards (Avg)	3.324

Standard Regular			
Nonautomation -- Non	11.050		
Nonautomation -- Non	11.050		
Nonautomation -- Mac	3.879		
Nonautomation -- Mac	3.879		
Nonautomation -- Non	11.050		
Nonautomation -- Non	11.050		
Nonautomation -- Mac	3.682		
Nonautomation -- Mac	3.682		
Automation Mixed AAD	4.104		
Automation AADC	3.890		
Automation 3-Digit Let	3.794		
Automation 5-Digit Let	3.538		
		Std. Reg. Ltrs. (Avg)	3.873
Regular Flat Subtotal	9.290		
Regular Parcel Subtot	28.948		
Regular Nonletter Sub	10.094		

Standard ECR - with DAL Costs Included in the Numerator of the ECR Saturation Letters Unit Cost			
ECR Basic Auto Letter	2.887		
ECR Basic Letters	5.334	ECR Basic Flats	6.143
ECR High Density Lett	4.476	ECR High Density Flat	4.609
ECR Saturation Letter	6.665	ECR Saturation Flats	3.191

Standard ECR - with DAL Costs Included in the Numerator of the ECR Saturation Flats Unit Cost			
ECR Basic Auto Letter	2.887		
ECR Basic Letters	5.334	ECR Basic Flats	6.143
ECR High Density Lett	4.476	ECR High Density Flat	4.609
ECR Saturation Letter	4.137	ECR Saturation Flats	4.163

[1]Revised June 9, 2005

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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